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FISCAL IMPACT STATEMENT

LS 7294

BILL NUMBER: HB 1618

NOTE PREPARED: Feb 12, 2015

BILL AMENDED: Feb 12, 2015

SUBJECT: South Shore Line Extension.

FIRST AUTHOR: Rep. Slager

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill creates a program to provide state matching grants to the Northwest Indiana Regional Development Authority (RDA) for projects extending the Chicago, South Shore, and South Bend Railway (South Shore). It requires the RDA to make certain commitments in order to receive a grant. It also requires a return on investment analysis. It requires review of grant applications by the Budget Committee and approval by the Budget Agency.

The bill appropriates \$9,400,000 annually from the state General Fund for the program.

The bill establishes the South Shore Line Transit Oriented Development Fund. It provides that the RDA administers the fund.

The bill provides that a political subdivision that contributes county economic development income tax (CEDIT) revenue received by the political subdivision to the extension of the South Shore may apply for a grant from the fund for a project that conforms with the plan to extend the South Shore.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Annual Appropriation*- The bill annually appropriates \$9.4 M from the state General Fund to the State Budget Agency to make grants to the RDA. Funds remaining at the end of a state fiscal year do not revert to the state General Fund.

(Revised) *RDA*: The RDA must prepare an update to the comprehensive strategic development plan that outlines the proposed uses of the annual \$9.4 M in grant funds. This update includes projections to determine

the return on investment from projects undertaken with the grant funds. Additionally, the update must include the proposed projects to extend the South Shore, as well as commitments from the RDA and local political subdivisions in exchange for receiving these grants.

In order for the RDA to provide funding to a political subdivision, the individual political subdivision must commit at least 20% of its annual county economic development income tax (CEDIT) revenue to satisfy the matching requirement. Additionally, the RDA must commit the full \$9.4 M of annual funding for the projects, and political subdivisions within Lake and Porter counties must commit combined CEDIT revenue that totals at least \$3.2 M annually for the projects. All grant projects must realize a return on investment within 20 years after the first grant is made that is at least twice the annualized amount of the grant requested.

The RDA will provide matching grants to political subdivisions through the fund. The fund consists of state appropriations, contributions by the RDA, local CEDIT contributions, federal grants, and gifts. The fund does not include monies that are needed to pay debt service on outstanding bonds or for lease rental payments associated with projects to extend the South Shore. The RDA may use the fund to provide matching grants to local units that contribute CEDIT revenue. Matching grants to local units may only be used for transit projects in the county in which the unit is located. Eligible transit projects must substantially conform to the comprehensive strategic development plan developed by the RDA that concerns the extension of the South Shore.

The RDA will also submit an annual progress report in July of each year to the Office of Management and Budget (OMB), outlining that particular year's planned projects. Projects in these yearly grant applications must be included in the update to the comprehensive strategic development plan.

Additionally, the RDA is to submit a progress report of all grant projects to the OMB in July of each year until 2045. The Budget Agency will determine prior to October 1 of each year whether the commitments made by the RDA are being satisfied.

The bill's requirements are within the RDA's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Office of Management and Budget, State Budget Agency, and State Budget Committee: Both the OMB and the State Budget Committee will review the update to the comprehensive strategic development plan as well as all grant applications prior to making any grant awards to the RDA .

The OMB is to evaluate the return on investment projections by the RDA, and the State Budget Agency is to determine forecasted increases in the state sales tax and income taxes from the proposed projects. Additionally, OMB is to review the RDA's annual progress report and determine by October 1 of each year whether the RDA's commitments have been satisfied. In the event that the commitments remain unsatisfied, the OMB may withhold distributions to the RDA and instead deposit those distributions into the state General Fund.

These requirements are within the OMB's, State Budget Agency's, and Budget Committee's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Expenditures*.

(Revised) **Additional Information:** The RDA serves Lake and Porter Counties. Political subdivisions within these counties must commit a combined \$3.2 M of CEDIT revenue annually as matching funds for these grants. The CY 2015 certified distribution of CEDIT revenue for Lake County is \$25.4 M, and the distribution for Porter County is \$22.7 M.

State Agencies Affected: Northwest Indiana Regional Development Authority; Office of Management and Budget; State Budget Agency; State Budget Committee.

Local Agencies Affected: Northern Indiana Commuter Transportation District (South Shore Line) and political subdivisions in Lake and Porter Counties.

Information Sources: State Budget Agency, CY 2015 Local Option Income Tax Certified Distributions Amended November 10, 2014. RDA website (www.in.gov/rda).

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